

Message Text

PAGE 01 NATO 06990 01 OF 02 181658Z

42

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CDRUSAMC ALEXANDRIA VA

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CDRUSAADC FT BLISS TX

CDR WHITE SANDS MSL RANGE NMEX

USCINCEUR VAIHINGEN FRG

CINCUSAREUR HEIDELBERG

CDR 32D AIR DEF CMD KAISERSLAUTERN

CHUSNHLO PARIS

AMEMBASSY PARIS

USNMR SHAPE

CHMAAG ATHENS

CHMAAG BONN

CHMAAG BRUSSELS

CHMAAG COPENHAGEN

CHMAAG ROME

CHMAAG THE HAGUE

C O N F I D E N T I A L SECTION 1 OF 2 USNATO 6990

E.O. 11652: GDS

TAGS: MARR NATO

SUBJ: NATO-HAWK BOARD OF DIRECTORS (BOD) MEETING, 10-13 DEC 74
(PROCUREMENT MATTERS)

SECDEF FOR OASD(I&L)-MR. D. CUFFE; ODDR&E; OASD (ISA); AND

DSAA.

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PAGE 02 NATO 06990 01 OF 02 181658Z

DA FOR OASA(I&L); DCSLOG FOR MSG-SBI; AND ACSI. USAMC FOR AMCGC.

USAMICOM FOR AMCPM-HA: USCINCEUR FOR MAD AND J-4. USAREUR FOR

AEGLD-MR-MM AND USAMICOM FLD OFC (AMCPM-HAI-EUR-MAJ LYNE).

REFS: A. USNATO 6972
B. HMO/10.0.02-2/4562/74
C. HMO/1.306/0617/74(REV 4)
D. USNATO 5572
E. USNATO 5651
F. USNATO 5711
G. STATE 269744

BEGIN SUMMARY: NATO-HAWK BOD DISCUSSED PROCUREMENT MATTERS IN
DETAIL AT MEETING IN PARIS 10-13 DEC 74. THE BOD DIRECTED THE HAWK
WEAPON SYSTEM PARTNERSHIP COMMITTEE (HWSPC) TO ESTABLISH IMPROVED
HAWK PROCUREMENT PROCEDURE. HWSPC, TOGETHER WITH AN EXECUTIVE
ADMINISTRATION CALLED QUOTE HAWK LOGISTIC MANAGEMENT UNQUOTE,
WHICH IS RESPONSIBLE TO NAMSA GEN MGR, COMPRISE THE PARTNERSHIP.
IN KLYSTRON PROCUREMENT, FRENCH REFUSED TO AGREE TO MODIFY ILL-
ADVISED DECISION TAKEN AT OCT 74. BOD MEETING.
THEREFORE CONTRACT AWARD OF SECOND KLYSTRON PROCUREMENT ALSO GOES
TO THOMSON INSTEAD OF THE LOW BIDDER, VARIAN. END SUMMARY.

1. NATO-HAWK BOARD OF DIRECTOS (BOD) MEETING HELD IN PARIS 10-13
DEC (REPORTED IN REF A) DEALT WITH PROCUREMENT MATTERS IN SOME
DETAIL. MESSAGE ADDRESSEE HAWK PROCUREMENT PROCEDURE, HAWK
WEAPON SYSTEM PARTNERSHIP, AND KLYSTON PROCUREMENTS. BOD CONVENED
IN BOTH RESTRICTED AND OPEN SESSIONS ON THESE MATTERS.

2. ITEM 3.2 (FINAL AGENDA). HAWK PROCUREMENT PROCEDURE.
AT DIRECTION OF THE BOD IN ITS MEETING OF 1-3 OCT 74, THE JOINT
COMMITTEE OF LOGISTICS AND FINANCIAL EXPERTS HAS UNDERTAKEN TO
DRAFT REVISED PROCUREMENT PROCEDURES FOR THE NATO-HAWK PRODUCTION
AND LOGISTICS ORGANIZATION (NHPLO). PROBLEMS WITH KLYSTRON
PROCUREMENTS DATING BACK TO THE SPRING OF 1974 HAVE PROVIDED
IMPETUS FOR CLARIFICATION AND IMPROVEMENT OF PROCUREMENT PRO-
CEDURES. JOINT COMMITTEE REPORT IS CONTAINED IN ANNEX 3, REF
B. IN SUMMARY THE COMMITTEE CONCLUDED THAT EXISTING PROCEDURES
OF BOTH THE NHPLO AND NAMSA WERE SATSIFACTORY FOR PROCUREMENTS
UNTIL SUCH TIME AS THE HAWK WEAPON SYSTEM PARTNERSHIP COMMITTEE
(HWSPC) COULD STUDY THE PROBLEM IN DEPTH. THE BOD APPROVED
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PAGE 03 NATO 06990 01 OF 02 181658Z

THESE CONCLUSIONS AND ACCOMPANYING RATIONALE. THE JOINT COMMITTEE
WENT FURTHER, HOWEVER, AND SUBMITTED TO THE BOD THREE PRINCIPLES
FOR THE HWSPC TO CONSIDER:

A. PRICE COMPARISON PROCEDURE WHICH WOULD INCREASE
THE EUROPEAN INDUSTRY PROTECTION RANGE FROM THE CURRENT 10-15
PERCENT TO A 15-30 PERCENT RANGE. AFTER PRICE COMPARISON THE
PROCURING AGENCY WOULD CONDUCT NEGOTIATIONS WITH INDUSTRY FROM
HELIP PARTICIPATING NATIONS TO REDUCE DIFFERENCE TO NOT MORE THAN
15 PERCENT DIFFERENTIAL BETWEEN HELIP INDUSTRY AND NON-PAR-
TICIPATING NATION INDUSTRY (READ US).

B. LONG TERM CONTRACTS IN PREFERENCE TO RECURRING CALLS FOR
TENDERS FOR LIKE ITEMS.

C. USE OF QUOTE FILL OR KILL UNQUOTE PROCEDURE IN PREFERENCE

TO FOREIGN MILITARY SALES (FMS) CASES WHEN PROCURING SPARE PARTS FROM THE US ARMY.

IN DISCUSSION, US MEMBER (COL LYNCH) POINTED OUT THAT THE CUMULATIVE EFFECT OF TARIFF (7.5 PERCENT) AND NON-TARIFF (PROPOSED 30 PERCENT) BARRIERS TO US INDUSTRY COMPETITION WOULD BE 37.5 PERCENT, A BARRIER THAT SURELY WOULD RESTRICT FUTURE US COMPETITION AND INEVITABLY RESULT IN SUBSTANTIAL COST INCREASES TO THE NHPLO. DANISH DIRECTOR (COL LEMKE) STATED THAT UNDER DANISH LAW, IF NEGOTIATIONS ARE REOPENED, THE PROCURING AGENCY MUST NEGOTIATE WITH ALL BIDDERS. (THE BOD IS ALREADY FAMILIAR WITH US LAWS AND VIEWS OF THE US IN THE REGARD).

FRANCE (COL HOFFMAN--ALSO CHAIRMAN OF BOD) RESPONDED THAT IN FRANCE RENEGOTIATIONS ARE PERMITTED WITH SOME BIDDERS (NOT NECESSARILY ALL). ITALY (COL MANGANONI) SIDED WITH FRANCE AND RECOMMENDED THAT THE BOD APPROVE THE ENTIRE REPORT, INCLUDING THE ABOVE PRINCIPLES. NETHERLANDS (GEN DIETERS) AND FRG (KUHN) PROVIDED SOME BALANCE TO THE PROCEEDINGS. DIETERS POINTED OUT THAT THE PRICE COMPARISON PROPOSAL HAS POLITICAL AND ECONOMIC CONSIDERATIONS THAT EXTEND BEYOND NATO-HAWK. FRG REP SUGGESTED THAT ALL SHOULD STRIVE FOR HARMONY BETWEEN HAWK AND NAMSA RULES. FINALLY THE BOD AGREED TO FORWARD THE REPORT TO THE HWSPC FOR ACTION. GENERAL MANAGERS FOR BOTH NATO HAWK AND NAMSA SHOULD FOLLOW UP THE WORK OF THE HWSPC TO ESTABLISH PROCUREMENT PROCEDURE AND REPORT BACK TO THE BOD.

3. ITEM 3.3 DRAFT HAWK WEAPON SYSTEM PARTNERSHIP AGREEMENT AND ESTABLISHMENT OF THE HAWK LOGISTIC MANAGEMENT. THE BOD APPROVED THE FORMATION WITHIN THE NATO MAINTENANCE AND SUPPLY ORGANIZATION

CONFIDENTIAL

PAGE 04 NATO 06990 01 OF 02 181658Z

(NAMSO) OF A HAWK WEAPON SYSTEM PARTNERSHIP, TO TAKE EFFECT 1 JANUARY 1975 (REF C). THE PARTNERSHIP SHALL COMPRISE A HAWK WEAPON SYSTEM PARTNERSHIP COMMITTEE (HWSPC) AND AN EXECUTIVE ADMINISTRATION, CALLED QUOTE HAWK LOGISTIC MANAGEMENT UNQUOTE. THE LATTER WILL BE PLACED WITHIN THE NATO MAINTENANCE AND SUPPLY AGENCY (NAMSA) UNDER THE AUTHORITY OF THE NAMSA GENERAL MANAGER. IT IS THE HWSPC WHICH WILL DEFINE MISSIONS AND OBJECTIVES, APPROVE SUPPORT POLICY AND GENERAL IMPLEMENTATION DIRECTIVES, AND REGULATE ORGANIZATION AND ESTABLISHMENT OF THE HAWK LOGISTIC MANAGEMENT AND OTHER ACTIVITIES. AS NOTED ABOVE, THE NATO-HAWK BOD HAS PASSED TO THIS COMMITTEE THE TASK OF ESTABLISHING IMPROVED PROCUREMENT PROCEDURES.

CONFIDENTIAL

PAGE 01 NATO 06990 02 OF 02 181703Z

42
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CDRUSAMICOM REDSTONE ARS AL

CDRUSAADC FT BLISS TX

CDR WHITE SANDS MSL RANGE NMEX

USCINCEUR VAIHINGEN FRG

CINCUSAREUR HEIDELBERG

CDR 32D AIR DEF CMD KAISERSLAUTERN

CHUSNHLO PARIS

AMEMBASSY PARIS

USNMR SHAPE

CHMAAG ATHENS

CHMAAG BONN

CHMAAG BRUSSELS

CHMAAG COPENHAGEN

CHMAAG ROME

CHMAAG THE HAGUE

C O N F I D E N T I A L SECTION 2 OF 2 USNATO 6990

4. ITEM 3.6. PROCUREMENT OF KLYSTRONS. THE KLYSTRON PROCUREMENT DISCUSSIONS INCLUDED THE INTERVENTION OF THE NATO SECRETARY GENERAL WITH THE GENERAL MANAGERS OF NATO-HAWK AND NAMSA, THE REPORT OF THE INT'L BOARD OF AUDITORS FOR NATO, AND ARGUMENTS CONCERNING THE AWARD OF CONTRACT FOR 845 REFLEX KLYSTRONS. IN PREVIOUS REFTEL (D, E, AND F), MISSION TRACED THE DEVELOPMENTS OF THIS SECOND KLYSTRON PROCUREMENT FROM THE 1-3 OCT 74 BOD
CONFIDENTIAL

PAGE 02 NATO 06990 02 OF 02 181703Z

MEETING THROUGH MID-OCTOBER, BY WHICH TIME IT HAD BECOME APPARENT TO ALL CONCERNED THAT THE BOD HAD ACTED IN HASTE AND ON THE BASIS OF ERRONEOUS INFORMATION IN DECIDING TO AWARD THE SECOND KLYSTRON CONTRACT TO THOMSON CSF (FRENCH FIRM). AT THE DEC MEETING, FRANCE (GEN CAUCHIE) OPENED WITH CRITICISM OF THE NATO SEC GEN FOR BYPASSING THE RESPECTIVE BOD'S AND COMMUNICATING DIRECTLY WITH GENERAL MANAGERS OF NATO-HAWK AND NAMSA. NATO REP (CL ABS) RESPONDED WITH A CLEAR EXPLANATION OF INTENT OF THE SEC GEN (AND THE ASST SEC GEN FOR DEFENSE SUPPORT, DR. TUCKER). NATO REP EXPLAINED THAT IT WAS MORE A MATTER OF INTEREST, FACT GATHERING, AND ANALYSIS OF ISSUES THAN OF INTERVENTION AS CLAIMED BY THE FRENCH. NATO REP FURTHER EXPLAINED THAT HE UNDERSTOOD THE PROCUREMENT DECISION WITH RESPECT TO THE SECOND KLYSTRON PROCUREMENT TO BE ONCE AGAIN OPEN WITH THE WITHDRAWAL OF CONCURRENCE IN THAT

DECISION BY TWO DIRECTORS(NETHERLANDS AND FRG). GEN CAUCHIE AVOIDED THAT QUESTION AND INSISTED THAT THE SEC GEN INTERVENTION WAS INOPOTUNE AND INADVISABLE. NATO REP EXPRESSED UNHAPPINESS WITH THE FRENCH POSITION. WHEN THE ACTUAL KLYSTRON DISCUSSIONS BEGAN, THE FRENCH DELEGATON USED A MIXED STRATEGY. FIRST, THE BOD CHAIRMAN (COL HOFFMAN, FRANCE) PROPOSED TO DISCUSS THE PROCUREMENT OF 400 POWER KLYSTRONS AND THE BOARD OF AUDITORS REPORT LAST. US REP INSISTED ON INFORMING THE BOD THAT THE AUDITORS' REPORT BORE CLEARLY AND DIRECTLY ON THE PROCUREMENT OF THE 845 REFLEX KLYSTRONS AND THAT IF THE BOD CHOSE TO IGNORE THE REPORT IN REACHING CONCLUSIONS ON THAT PROCUREMENT THEY SHOULD MAKE THAT CHOICE IN FULL AWARENESS OF THE SITUATION. THE SECOND ELEMENT OF STRATEGY WAS GEN CAUCHIE'S REOPENING THE ALLEGATION AGAINST VARIAN OF PRICE DUMPING THE THE POWER KLYSTRON PROCUREMENT. IT WAS APPARENT THAT GEN CAUCHIE DID NOT EXPECT A US RESPONSE TO THE ALLEGATION, AND REFERRED TO REFUSAL OF THE US REP TO RESPOND TO THE CHARGES IN OCTOBER. HE STATED THAT IF THE FRENCH POSITION ON THE REOPENING OF THE SECOND KLYSTRON PROCUREMENT WERE TO BE MODIFIED, THE FRENCH WOULD REFUSE VARIAN AS A POSSIBLE BIDDER. US REP REPLIED THAT THE US WAS PREPARED TO RESPOND TO THE DUMPING ALLEGATIONS. AT THAT POINT, 1830, 11 DEC, THE CHAIRMAN ADJOURNED THE MEETING. THE THIRD STRATEGY WAS TO NOT RETURN TO THE SUBJECT OF KLYSTRONS UNTIL AFTER GEN CAUCHIE HAD DEPARTED. IN FACT, THE BOD TURNED TO THE QUESTION AGAIN FRIDAY MORNING, 13 DEC. WHEN THE BOD RESUMED DISCUSSION OF THE KLYSTRON PROBLEMS ON FRIDAY MORNING, US REP GAVE A THOROUGH EXPLANATION OF THE US VISS

CONFIDENTIAL

PAGE 03 NATO 06990 02 OF 02 181703Z

ON THE VARIAN PRICE DUMPING ALLEGATIONS ALONG LINES OF WASH GUIDANCE (REF G). BECAUSE GEN CAUCHIE WAS ABSENT, THE FRENCH DELEGATION (COL HOFFMAN AND MR. MAXIME, ASSISTANT DIRECTOR FOR LACK OF BETTER TITLE) COULD NEITHER ACCEPT NOR REJECT THE EXPLANATION. IT WAS OBVIOUS THAT THE REMAINDER OF THE BOD WAS SATISFIED THAT THE US HAD REBUTTED THE CHARGES ADEQUATELY. WITH THE FLOOR OPEN AGAIN, NETHERLANDS REP (GEN DIETERS) STATED THAT THE OCT DECISION WAS TAKEN IN A CONFUSED ENVIRONMENT AND THAT THE DECISION WAS BASED ON INCORRECT INFORMATION. HE PROPOSED THAT THE BOD NANIMOUSLY WITHDRAW ITS EARLIER UNANIMOUS DECISION. HE STATED THAT IN THE OPINION OF THE NETHERLANDS THE PRODUCT GUARANTEES OF THE TWO FIRMS WERE EQUAL. ONE BY ONE, ALL OF THE DIRECTORS EXCEPT FRANCE FELL IN WITH THE NETHERLANDS. EACH VOTED TO WITHDRAW THE EARLIER OCTOBER UNANIMOUS DECISION. THE FINAL FRENCH STRATEGY WAS A STONEWALL REFUSAL TO BUDGE. AT THIS POINT THE USREP APOLOGIZED TO THE BOD MEMBERS (OTHER THAN FRANCE) FOR WASTING THEIR TIME WITH THE DUMPING EXPLANATION. NETHERLANDS DIRECTOR THEN STATED THE OBVIOUS CONCLUSION THAT THEY WERE BACK TO THE OCTOBER DECISION. THE CONTRACT AWARD TO THOMSON CSF WOULD STAND. FRANCE EARNED A BIT OF ILL WILL BUT GAINED THE SECOND CONTRACT AS WELL AS THE FIRST. BRUCE

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